STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT
OFFICE OF THE SECRETARY

TESTIMONY PRESENTED TO THE GOVERNMENT ADMINISTRATION AND ELECTIONS COMMITTEE
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Testimony Regarding Senate Bill No. 1059

AN ACT CONCERNING THE RECOMMENDATIONS OF THE COMMISSION ON ENHANCING AGENCY OUTCOMES

Good morning Senator Slossberg, Representative Morin, Ranking members Senator McLachlin and Representative Hwang, and distinguished members of the Government Administration and Elections Committee. I appreciate the opportunity to testify before you regarding the recommendations of the Commission on Enhancing Agency Outcomes.

As Secretary of the Office of Policy and Management, I appreciate the task you've taken on and the many hours of hard work and analysis that have gone into the recommendations before you. Finding savings in the structure and functioning of government is necessary and difficult work. I hope that today's discussion is part of a continuing dialogue on how we can make Connecticut government more responsive and efficient.

As has been widely discussed, Governor Malloy's proposed budget also seeks to find savings through reorganization and consolidation. We believe the Governor's budget proposals are a solid and balanced approach to the remaking of state government. There are a number of areas where the recommendations of the Commission (and therefore, the proposed changes within SB 1059) would either duplicate, negate or otherwise conflict with the Governor's proposals. Outlined below are top-line explanations of where those inconsistencies occur, as well as our analysis of each:

- The bill would transfer the Division of Special Revenue to the Department of Revenue Services (Sec. 2). This is in conflict with the Governor's proposal to transfer this division to the Department of Consumer Protection, as we believe DSR is a more consumer-driven division.

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- The bill would create the Connecticut Economic Development Authority as a successor to the Department of Economic and Community Development (DECD) (Sec. 24 -248). This proposal for an economic development "mega agency" conflicts with the Governor's plan to merge several economic development General Fund entities (DECD, OWC, CCT and some DOL workforce programs) and to strengthen the presence of DECD on the three quasi boards (CII, CDA and CHFA). We believe that creating a new and larger economic develop agency, while well intentioned, would have major collective bargaining, human resources, and physical space issues, and is therefore not a workable solution for the state.
- The bill would require the Department of Social Services to develop a plan for joining the state's prescription drug program administered by the State Comptroller for the state employee and retiree prescription drug plan (Sec. 282, 283, 288 – 293). This would likely result in DSS incurring significant administrative and system costs in order to implement the change. The Governor's budget assumes DSS' reimbursement levels will be reduced to align with those under the state employee and retiree programs – this recommendation is consistent with the recommendations of the federal Centers for Medicare and Medicaid Services, which advised that mirroring the rates would be more efficient and less administratively burdensome.
- The bill would require the Secretary of OPM to review all existing PSA contracts with terms of three years or more in order to determine which agreements are good values to the state, and to then recommend changes which will result in a savings of 10% of the total contract amount (Sec. 294). While we are certainly supportive of the idea of maximizing contracts that are of "good value to the state," the only guidance provided by this section regarding how such savings might be achieved is that the Secretary is to, "assume a preference for fewer long-term contracts, restrictions on amendments, greater outside evaluation of need, and greater use of contingency contracting." The Secretary already reviews requests for PSA contracts; as such, we do not believe that the proposed review and assumed preferences would yield significant savings, let alone 10%.
- The bill would require that all procurement contracts achieve 10% reduction in costs by utilizing "modern procurement practices" (Sec. 297). Unfortunately, a uniform target reduction across all types of contracts is neither achievable nor realistic. In order to fully implement "modern procurement practices", considerable work will need to be completed by agencies to build the tools needed to conduct listed procurement methods. Costs associated with attainting the resources required to adhere to mandatory procurement practices will offset savings achieved, and greatly divert funds and personnel from other necessary programs.
- The bill requires DSS to adopt a long-term care rebalancing strategy that meets the objectives of the State Balancing Incentive Payments Program (established under the Affordable Care Act) and establishes a goal to reduce the state nursing home bed ratio to the national nursing home bed ratio by 2017 (Sec. 302). The Governor's

budget assumes considerable nursing home savings as DSS seeks to expand its Money Follows the Person (MFP) initiative. In the upcoming biennium, over 1,500 Medicaid clients will be transitioned from long-term care facilities back to the community, with over 5,200 transitions by 2016. As part of MFP, DSS will be receiving federal support to help nursing facilities diversify their existing business model by restructuring and reducing the number of skilled nursing beds.

- The bill requires DRS to hire additional audit and collection staff (Sec. 303). The Governor's proposed budget does not contain funding for these staff. The budget does include $740,000 for collection software to help with collection efforts, which will result in $6.0 million in FY 12 and $18 million in FY 13.
- The bill requires that all Executive Branch agencies achieve a 10% reduction in energy costs in FY 2012 and a 30% reduction by 2023 (Sec. 306). While this is a worthy goal, the bill seeks to legislate an outcome without any support to achieve that outcome. While we certainly support reducing energy usage and costs, goal-setting in and of itself doesn't help get the job done. Instead, we believe this concept (and others) should be reviewed in context with the proposed consolidation of energy policy within the Governor's budget.
- The bill directs the Department of Social Services (DSS) to develop a state-wide single point of entry system for long-term care services (Sec. 309). DSS is currently operating, through federal funding, three Aging & Disability Resource Centers (ADRCs) which serve as the single point of entry system described in this Section. Creating a state-wide system would require the development of two additional ADRCs. There is no funding included in the Governor's Budget for such an expansion and no additional federal dollars available. Therefore, we are not able to support an expansion of the ADRCs at this time.
- The bill would require the Secretary of OPM to direct an employee within the Policy Development and Planning Division (PDPD) to coordinate the implementation of the goals and recommendations from the Long-Term Care Planning Committee's most recent Long-Term Care Plan (Sec. 311). PDPD staff currently Chair and staff the Long-Term Care Planning Committee and were responsible for producing the most recent Long-Term Care Plan. These same PDPD staff currently coordinate the implementation of the goals and recommendations of the Long-Term Care Plan. This activity is done within budgetary and statutory limitations and in keeping with the priorities of the Secretary of OPM. We oppose the language in this section since the work being required is already being performed by OPM staff.
- The bill would require DSS to designate a high-level staff person to serve as federal revenue ombudsman (Sec. 312). While DSS is the agency that generates the greatest amount of federal revenue, we do not believe DSS should be the lead for federal revenue maximization efforts. OPM has been and should continue to coordinate revenue maximization activities, as many of the efforts require the participation and cooperation of numerous other state agencies (e.g., DMHAS, DDS, DOC, DCF,

DVA, and DAS). The Governor's budget includes new funding in the OPM budget to support contracted services that are necessary to analyze the potential implications of various potential revenue initiatives.

- Finally, the bill would require the Secretary of OPM to develop a plan to reduce the manager and supervisor-to-employee ratio for agencies in the executive branch to one manager or supervisor for every ten employees (Sec. 22), and to ensure that such ratio is achieved as a bottom-line number spread across all such agencies not later than nine months from the date of the completion of the plan. OPM is opposed to this, for reasons which are laid out in the attachment.

In closing, I'd like to reiterate my appreciation for the committee's ongoing efforts to make state government more streamlined, responsive and cost-efficient. Despite our disagreements on various recommendations, we want to assure the Committee that the Governor and his administration share in those goals, and look forward to partnering with you to find the best, most-expedient ways to move forward together.

Thank you again for the opportunity to present this testimony. Should you have any questions, both myself and my staff will be available to answer them in the days ahead.

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